

Adopting Your Optimal Purchasing Threshold

Procurement Excellence Network (PEN) Training

October 11, 2023



HARVARD Kennedy School
Government Performance Lab

Welcome! Please
post in the chat:
Your name & what
government you
represent.

Icebreaker

Instructions:

Take a minute to complete the Zoom poll on your screen

When was the last time your government updated the dollar amount of a purchasing threshold?

- a) Never/not recently, but we are in the process now
- b) Within the last 5 years
- c) Between 5 and 10 years ago
- d) Over 10 years ago
- e) Our thresholds increase automatically (e.g., tied to the CPI)
- f) Not sure

Agenda



Overview of Purchasing Thresholds



Determining if Your Threshold Should Change



Government Case Study: City of Philadelphia, PA



Strategies to Raise Your Purchasing Thresholds



Feedback Poll & Wrap-Up

Do any of these procurement challenges resonate with you?

With inflation, a standard purchase that used to fall just under a threshold is now above that threshold

Routine, low-risk purchases are moving slowly through your formal purchasing process

Bottlenecks at a required approval point are slowing down your process (i.e., council review)

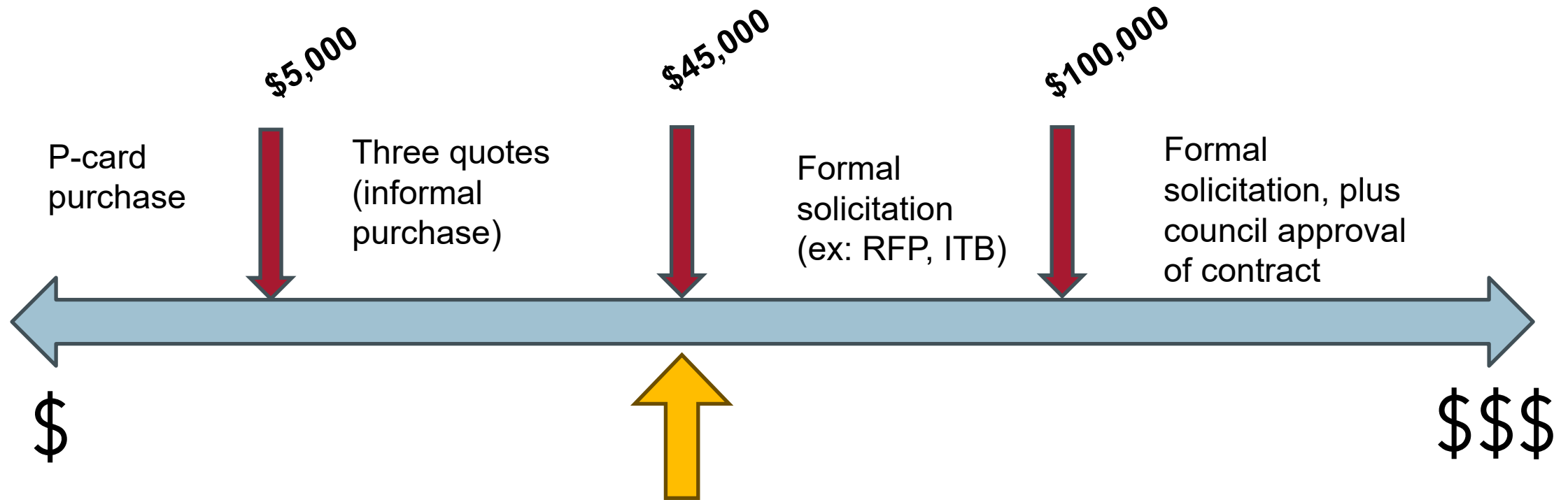
Purchasing staff are swamped with many purchases to oversee at once

If your government experiences any of these challenges, raising your purchasing thresholds may be impactful!



What common purchasing thresholds exist?

A sample mid-sized city government



*Our focus for today: At what point should your process change from an informal to formal solicitation?
What is the right balance between flexibility/speed and standardization/fairness?*

Pros and Cons of High vs Low Thresholds

	Advantages	Disadvantages
High Threshold	<ul style="list-style-type: none">• Concentrates purchasing staff time on high-priority, strategic purchases.• Speeds up the process for a larger volume of smaller purchases.	<ul style="list-style-type: none">• Less oversight of smaller purchases may lead to a greater risk of certain firms being given preference.• Less transparency for vendors who may question why they are never contacted for a quote.
Low Threshold	<ul style="list-style-type: none">• Additional oversight, fiscal controls, and compliance exists for more purchases.• Greater transparency for vendors due to formal process with clear evaluation criteria.	<ul style="list-style-type: none">• May lengthen the timeline of a relatively simple purchase.• If perceived as a burden, staff may look for exceptions to standard policy and sidestep the competitive process altogether.• Greater burden on staff, who must coordinate formal solicitations for more purchases.

There isn't a right answer – it's what works best for your government!



*Do these pros and cons resonate?
Are there other considerations your government has thought about?*

How Do I Determine If My Threshold Should Change?

1. Analyze recent procurement data (dollar values, cycle times)

2. Compare thresholds from peer governments

3. Speak to staff (in departments and purchasing)

4. Review contract performance issues in informal solicitations

5. Consider when the last update to thresholds occurred

Barriers to Changing Purchasing Thresholds



Administrative difficulties



Loss of oversight



Impact on vendor participation goals



*What other barriers or concerns are coming to mind?
How have you or how might you address these challenges?*

Government Case Study – Philadelphia, PA

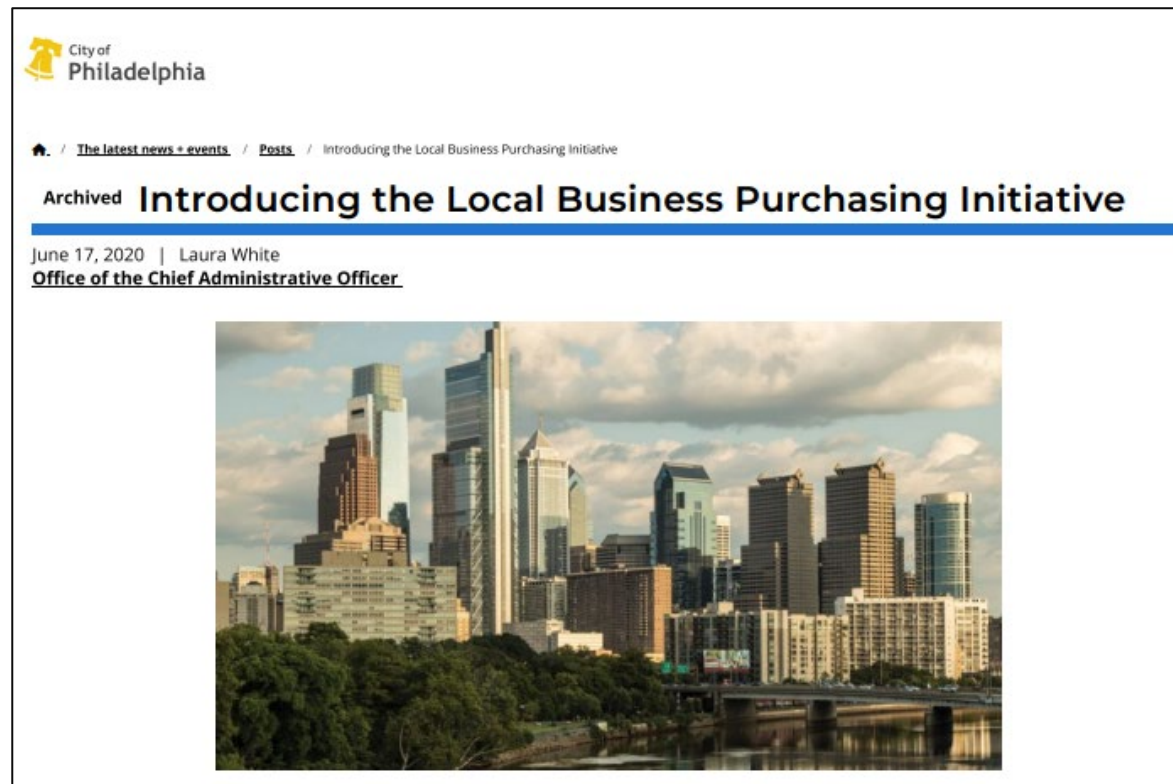
Philadelphia Raises Purchasing Thresholds Through Local Business Purchasing Initiative

- **What Philadelphia Did:**

Increased formal purchasing threshold from \$34,000 to \$75,000 (now \$88,000) for all businesses and from \$34,000 to \$100,000 (now \$117,000) for certified local businesses only. The threshold adjusts annually as of July 1st (previously, it was every 5 years).

- **The Impact They Saw:**

An increase in participation from diverse and local businesses. A decrease in overall contracting cycle times by ~2 months.



Learnings from CAO Stephanie Tipton

1. Having an advocate on your governing authority (ex: Council) is key.
2. Peer data (on other cities and their thresholds) is very persuasive for key decisionmakers.
3. Changing the threshold needs to come with increased outreach to firms, transparency in contracting opportunities, and more support to get firms certified.
4. You may experience difficulty adopting a new process internally – think carefully about support needed for staff, and recognize the importance of change management.

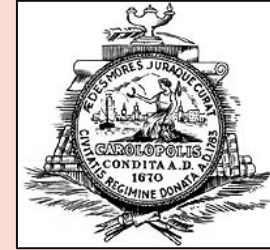


Any questions for Stephanie?

Strategies for Successfully Changing Your Threshold

- **Data:** Bring peer governments' purchasing thresholds for comparison and your procurement data showing bottlenecks or cycle time impact when presenting to your government's Chief Executive Officer or Council
- **Collaborate:** Gain feedback from your governing body and collaborate with colleagues inside and outside the purchasing office
- **Mitigate Risks:** Anticipate the risks these stakeholders perceive and develop a compelling case to address them
- **Outreach:** Conduct public outreach if public vote is required

Government Example:



To address concern from stakeholders that increasing the formal purchasing threshold would decrease MWBE contracting, Charleston added a requirement that at least one of the three quotes collected for an informal purchase must be from an MWBE.

Feedback Poll

Feedback Poll

1. How satisfied are you with the course content?

2. How clear are the lecture notes?

3. How helpful are the assignments?

4. How engaged are you in the course?

5. How satisfied are you with the instructor?

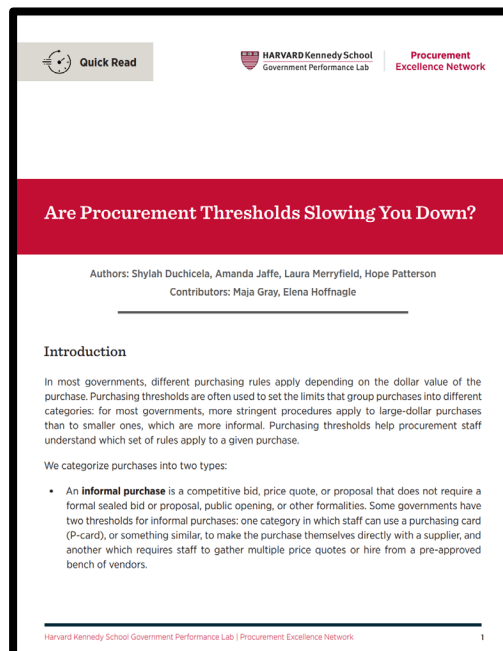
6. How satisfied are you with the overall experience?

7. Any other comments?

Additional Resources to Help You Get Started

Are Procurement Thresholds Slowing You Down?

In this quick read, you'll learn more about strategies for setting your purchasing threshold to maximize efficiency while also considering whether your thresholds are in line with those of your peers.



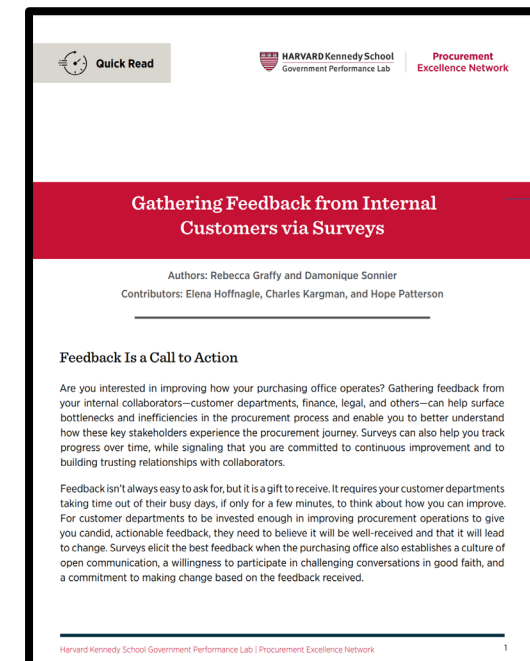
5 Steps to Start Sharing Procurement Data

This quick read will discuss what open data is, how it benefits governments, procurement staff and vendors, and how to prepare it before making it public.



Gathering Feedback from Internal Customers via Surveys

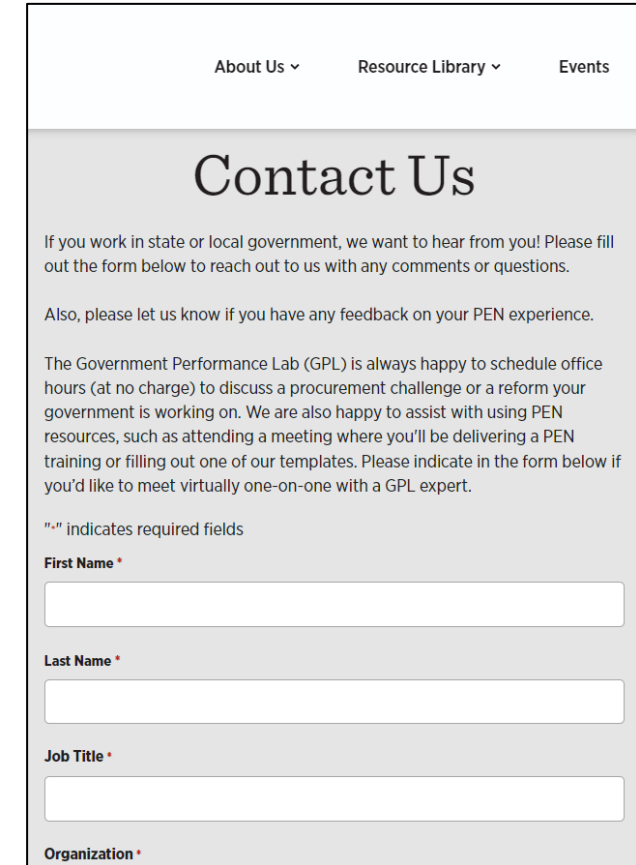
This quick read offers guidance on how to put together an excellent survey, encourage honest feedback from respondents, and use that information to make program decisions.



Continue the Conversation through PEN

- **Have additional questions for Stephanie or the PEN team on this topic?** Send us an e-mail at gplpen@hks.harvard.edu
- You can also sign up for 1:1 office hours with a GPL expert to discuss strategies for changing purchasing thresholds further at <https://gplpen.hks.harvard.edu/contact-us>

*Do you have advice on
pitching a threshold
increase to a Mayor?*



The screenshot shows the 'Contact Us' page of the Government Performance Lab (GPL) at Harvard. At the top, there are navigation links: 'About Us', 'Resource Library', and 'Events'. The main heading is 'Contact Us'. Below it, a paragraph invites state or local government workers to share their experiences. Another paragraph mentions feedback on the PEN experience. A detailed paragraph describes the GPL's offer of free office hours and assistance with PEN resources, including training and templates. A note states that asterisks indicate required fields. The form contains four input fields: 'First Name', 'Last Name', 'Job Title', and 'Organization', each followed by a red asterisk to denote it as a required field.

About Us ▾ Resource Library ▾ Events

Contact Us

If you work in state or local government, we want to hear from you! Please fill out the form below to reach out to us with any comments or questions.

Also, please let us know if you have any feedback on your PEN experience.

The Government Performance Lab (GPL) is always happy to schedule office hours (at no charge) to discuss a procurement challenge or a reform your government is working on. We are also happy to assist with using PEN resources, such as attending a meeting where you'll be delivering a PEN training or filling out one of our templates. Please indicate in the form below if you'd like to meet virtually one-on-one with a GPL expert.

"*" indicates required fields

First Name *

Last Name *

Job Title *

Organization *

Upcoming Events



If you were unable to join us last March, join us on October 24th for a live repeat of one of our most popular process efficiency trainings. This session will cover the mechanics of process mapping and how it can be an asset to your procurement transformation efforts. We will share tips for beginning process mapping and include sample slides you can use for your own process mapping exercise.

Tuesday, October 24, 3-4pm ET



The Procurement Excellence Network (PEN) is turning one year old! Join us to reflect on where we've been and where we will go as a community dedicated to advancing procurement excellence. This event will be an opportunity for you to hear from peers, discuss our top key insights shaping public procurement, and give input to inform the future of PEN.

Wednesday, November 15, 2-2:30pm ET